

**Region XII Council of Governments, Inc.**  
**Carroll, Iowa**

**Financial Statements**  
**Independent Auditor's Reports**  
**Supplemental Information**  
**Schedule of Findings & Questioned Costs**  
**June 30, 2013**

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REGION XII COUNCIL OF GOVERNMENTS, INC.  
BOARD OF DIRECTORS AND OFFICERS

<u>Name</u>	<u>Title</u>	<u>County Represented</u>
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Executive Board Members

Marty Danzer	Chairperson	Carroll
Eric Skoog	Vice-Chairperson	Crawford
Jerry Caraher	Secretary	Guthrie
Guy Richardson	Treasurer	Greene
Duane Deist	Board Member	Audubon
Ranell Drake	Board Member	Sac

Policy Council Members

Jay Dee Mendenhall	Board Member	Audubon
Gary VanAernam	Board Member	Audubon
Gene Karstens	Board Member	Audubon
Neil Bock	Board Member	Carroll
Dan Nieland	Board Member	Carroll
Cindy Fay	Board Member	Carroll
Rachel Desy	Board Member	Crawford
Jane Smith	Board Member	Crawford
Loren Schultz	Board Member	Crawford
Jane Heun	Board Member	Greene
Amy Milligan	Board Member	Greene
John Muir	Board Member	Greene
Jerri Christman	Board Member	Guthrie
Luann Waldo	Board Member	Guthrie
Curt Thornberry	Board Member	Guthrie
Morris Boeckman	Board Member	Sac
Joan Godbersen	Board Member	Sac
Elaine Rex	Board Member	Sac

Region XII Council of Governments, Inc. Officers

Richard Hunsaker	Executive Director
Joe Behrens	Local Assistance Director
Thomas Feldman	Transit Director
Kathleen Pauli	Fiscal Officer

In January of each year, each member of the County Board of Supervisors shall appoint or reappoint three local elected officials or persons responsible to local elected officials to serve at least one year as their County's representative. One of the three shall be designated Chairperson of that group and shall be designated an officer candidate and member of the Executive Board. The Executive Board shall appoint a fourth member from each county to serve on the policy council.

# John D. Morrow

Certified Public Accountant

Member  
Iowa  
Society

Certified Public Accountants

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November 20, 2013

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

### Report on Financial Statements

I have audited the accompanying financial statements of Region XII Council of Governments, Inc. (a non-profit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statement of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Region XII Council of Governments, Inc. as of June 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters****Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses, State, General and Local Administered Program Activity, Federal Program Activity, Western Iowa Transit Programs Activity, Completed Programs and Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 20, 2013 on my consideration of Region XII Council of Governments, Inc.'s internal control over financial reporting and on my test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Region XII Council of Governments, Inc.'s internal control over financial reporting and compliance.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013

As management of Region XII Council of Governments (COG), Inc., we offer the readers of Region XII COG financial statements this narrative overview and analysis of the financial activities of the commission for the fiscal year ended June 30, 2013. This report is intended to serve as an introduction to Region XII COG's basic financial statements.

Financial Highlights

- The assets of the COG exceeded its liabilities as of June 30, 2013 by \$10,941,259 (net assets). Of this amount, \$3,724,868 represents amounts that are non-spendable, which consist of investments in property, vehicles, and equipment. Funds reserved for housing loans equal \$1,816,476 and the health insurance reserve is \$269,357. The unassigned local net assets equal \$5,130,558.
- The COG's total net assets decreased by \$8,048 over the prior year. This decrease can be attributed to non-spendable net assets, which made up for losses in other areas, notably loss in capital value through depreciation.
- Revenues were \$5,776,409 which is \$181,276 less than the costs/expenses.
- The total cost of programs decreased by \$766,212, primarily due to decreases in Workforce Investment Act. Revenues decreased \$1,027,068, however, due almost fully to decrease in grants and awards funding.
- The COG decreased its long-term debt by retiring obligations to the DOT for transit capital projects.
- The assets of the COG do not include assets assigned to its subsidiary non-profit corporations Council of Governments Housing, Inc. and the Region XII Development Corporation.

Overview of the Financial Statements

The COG's basic financial statements are comprised of 1) financial statements and 2) notes to the financial statements. In addition, other supplementary information to the basic financial statements is provided.

The financial statements include a *Statement of Financial Position, Statement of Activities, Statement of Changes in Net Assets, and Statement of Cash Flows*. These statements present information of the COG's finances in a manner similar to governmental activities. The activities are consolidated and present the operations as a whole.

The *Statement of Financial Position* presents information on all of the COG's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the COG's net assets may be an indicator of whether its financial position is improving or declining, respectively. The past 20 years have witnessed steady growth of net assets.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013

The *Statement of Activities and Statement of Changes in Net Assets* present information showing how the COG's net assets changed during the year. This statement reports the cost of activities and how those costs were recovered for the fiscal year.

The *Statement of Cash Flows* presents information on the cash flow of the COG during the fiscal year. This information can assist the user of the report in determining how the COG financed its activities and how it met its cash requirements.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements are found on pages 16-23. Schedules of revenues and expenses may be found on pages 25-31.

Financial Analysis of the COG's Net Assets

The table below is a summary of the COG's net assets for the year ended June 30, 2013 compared to 2012.

NET ASSETS		
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 7,925,004	\$ 7,743,979
Capital Assets	<u>3,724,868</u>	<u>3,952,375</u>
TOTAL ASSETS	<u>11,649,872</u>	<u>11,696,354</u>
Current Liabilities	693,513	716,847
Long-term Liabilities	<u>15,100</u>	<u>30,200</u>
TOTAL LIABILITIES	708,613	747,047
NET ASSETS:		
Non-spendable	3,724,868	3,952,375
Unassigned net assets	5,130,558	4,972,120
Health insurance reserve	269,357	257,386
Reserve for loans	<u>1,816,476</u>	<u>1,767,426</u>
Total Net Assets	\$ <u>10,941,259</u>	\$ <u>10,949,307</u>

As noted earlier, net assets may serve over time as a useful indicator of the COG's financial position. In the case of the COG, assets exceeded liabilities by \$10,941,259 at the close of the most recent fiscal year.

Approximately 46.9% of the COG's net assets are categorized as "unassigned net assets," the large majority of which is monies in revolving loan funds, although the COG does have significant general reserves for its planning and transit operations. Just over 34% of the net assets are attributed to capital assets. Just over 16% of the net assets are outstanding loans for housing, and the balance is for a small health insurance reserve. The COG records assets using historical cost. If actual cost is not known, an estimated historical cost will be used.



REGION XII COUNCIL OF GOVERNMENTS, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013

Revenues:	<u>2013</u>	<u>2012</u>
Program Grants & Awards	\$ 3,738,312	\$ 4,696,452
Public Support & Program Funds	913,773	1,361,943
Elderbridge Agency on Aging	35,100	38,916
United Way	4,500	4,500
Loan Repayments	320,109	337,395
Interest From Loans & Fees	54,578	40,386
Interest from investments	51,773	48,557
Other revenues	359,993	56,786
Matching funds	261,271	191,290
In-Kind Match	<u>37,000</u>	<u>37,252</u>
Total Revenues	5,776,409	6,813,477
Expenses:		
Local Funds	67,062	66,922
Revolving Loan Funds	501,475	237,496
Community Administered & Support	171,409	264,049
Iowa Waste Exchange	400,816	400,085
Iowa Workforce Development	30,978	11,091
Low Income Housing Tax Credit	10,566	6,178
Western Iowa Advantage	68,586	41,847
Rural Housing Preservation	0	41,117
Economic Development Planning	122,000	122,000
Hazard Mitigation Grants	76,258	37,499
Community Development Block Grants	1,110,881	768,101
HOME Investment Partnership	593,373	660,176
Workforce Investment Act-Title I & SWA	368,626	298,006
Employment/New Iowa/Veterans	0	22,583
Electrolux-National Emergency Grant	130,650	1,151,845
Promise Jobs	18,368	116,300
Ticket to Work	0	6,118
Rural Transit Systems	1,780,652	1,943,231
Regional Transportation Planning	155,285	163,839
Safe Route to School	509	15,223
Depreciation	<u>350,191</u>	<u>379,364</u>
Total Expenses	<u>5,957,685</u>	<u>6,753,070</u>
Revenue over expenses	\$ ( <u>181,276</u> )	\$ <u>60,407</u>

The COG's total revenues decreased 15.2% to \$5,776,409. The most dramatic difference was the drop in Program Grants & Awards, attributed to decreasing activity in housing programs for which the COG served as subrecipient. This decrease was nearly 20% and represented \$958,140 of the difference. Public Support & Program funds made up the bulk of the remaining loss. The total cost of all programs/services decreased by just over \$766,212 or 12%. The COG's expenses are predominantly related to providing services such as public transit, workforce development, housing, planning, grant administration, or technical assistance to the COG's members.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013

Capital Assets

By the end of the 2013 fiscal year, the COG had invested \$3,724,868 in capital assets, net of accumulated depreciation of \$2,261,315. Total depreciation expense for the year was \$350,191. The COG added \$122,685 to its capital assets recorded at actual cost. The COG disposed of several transit vehicles that had minimal value.

Long-term Debt

At the end of the current fiscal year, the COG had total debt outstanding of \$30,200 which is a 33% decrease from the prior year. The debt consists of loans payable to the Iowa Department of Transportation for the purchase of regional transit vehicles and building expansion at the headquarters in Carroll; this loan will decrease in equal \$15,100 payments over the next 3 years until retired. No significant long-term debt is anticipated in coming years with the possible exception of additional DOT Amoco loans for public transit rolling stock.

Economic Factors on the COG's Future

At the time these financial statements were prepared and audited, the COG was aware of several key factors that may have an impact upon the COG's future funding levels.

- Local, State and Federal economic conditions are key indicators for resource availability and monitoring these conditions will be prudent for Region XII COG and its future success in regional service delivery.
- Health insurance costs continue to rise with current rates projected to increase again for FY 2014. The COG is moved from self-insurance in June of 2012 and was able to keep costs level with mitigated impact upon the benefit employees receive.
- Funding decreases in certain federal programs, such as the Workforce Investment Act and the State of Iowa's response to these decreases may render services at the COG level impractical or impossible. The loss of Promise Jobs in FY2011 resulted in less employees; the COG has begun a strategic management partnership with SDR13 in Council Bluffs which may or may not lead to similar arrangements.
- Consolidation of services as a result of decreased funding at the local and state level may provide opportunities for the COG to provide services in areas not currently provided.
- Changing priorities in housing will require the COG to adjust its approach and offerings.
- Region XII COG has three facilities on which it has little debt as these were paid through grants or self-financing. The COG is therefore able to adjust its debt servicing to meet budget demands.
- The COG is a member of the Iowa Association of Regional Councils and is providing new lines of business in consortium with its sister organizations statewide.
- The COG has four associate members in Dallas County. A move to re-form a central Iowa COG may require the COG to either court the entire county and expand its boundaries or cede these four cities to the new organization.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the COG's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Region XII COG, Inc., 1009 E Anthony St, PO Box 768, Carroll, Iowa 51401.

## FINANCIAL STATEMENTS

REGION XII COUNCIL OF GOVERNMENTS, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2013

## ASSETS

## CURRENT ASSETS

Cash and investments	\$ 5,286,798
Receivables:	
Grantor agencies	413,925
Other sources	280,323
Affiliated organizations	1,110
Prepaid expense	126,372
Accrued interest receivable	89,747
Current portion of housing loans	<u>250,253</u>
Total Current Assets	<u>6,448,528</u>

## PROPERTY AND EQUIPMENT

Land & building	3,291,104
Vehicles	2,308,058
Office equipment	<u>387,021</u>
	5,986,183
Less accumulated depreciation	<u>2,261,315</u>
	<u>3,724,868</u>

## OTHER ASSETS

Housing program loans	1,816,476
Less current portion of loans	( <u>340,000</u> )
	<u>1,476,476</u>

## TOTAL ASSETS

\$ 11,649,872

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

Accounts payable	\$ 311,369
Notes payable	174,100
Current portion of long-term debt	15,100
Accrued payroll and benefits	87,209
Accrued annual leave payable	<u>105,735</u>
Total Current Liabilities	693,513

## LONG TERM LIABILITIES

Note payable	15,100
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## NET ASSETS

Unassigned net assets	5,130,558
Health insurance reserve	269,357
Investment in property, vehicles and equipment	<u>3,724,868</u>
Reserve for loans	<u>1,816,476</u>
	<u>10,941,259</u>

## TOTAL LIABILITIES AND NET ASSETS

\$ 11,649,872

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2013

## Revenues:

Program Grants and Awards	\$ 3,738,312
Public Support & Program Funds	913,773
Elderbridge Agency on Aging	35,100
United Way	4,500
Loan Repayments	320,109
Interest From Loans & Fees	54,578
Interest From Investments	51,773
Other Revenues	359,993
Matching Funds	261,271
In-Kind Match	<u>37,000</u>
Total Revenue	<u>5,776,409</u>

## Expenses:

Local Funds	67,062
Revolving Loan Funds	501,475
Community Administered & Support	171,409
Iowa Waste Exchange	400,816
Iowa Workforce Development	30,978
Low Income Housing Tax Credit	10,566
Western Iowa Advantage	68,586
Economic Development Planning	122,000
Hazard Mitigation Grants	76,258
Community Development Block Grants	1,110,881
HOME Investment Partnership	593,373
Workforce Investment Act-Title I & SWA	368,626
Electrolux-National Emergency Grant	130,650
Promise Jobs	18,368
Rural Transit Systems	1,780,652
Regional Transportation Planning	155,285
Safe Route to School	509
Depreciation	<u>350,191</u>
Total Expenses	<u>5,957,685</u>

Revenue over expenses \$ ( 181,276 )

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
STATEMENT OF CHANGES IN NET ASSETS  
Year ended June 30, 2013

Program revenues over expenses	\$ ( 181,276)
(Decrease) in balance classified as "Receivable from Future Claims"	( 37,212)
Decrease in balance classified as "Deferred Revenue"	26,734
(Decrease) in Self Insurance- "Health Insurance Reserve"	11,971
Investment in plant, vehicles, & equipment	122,685
(Decrease) in "Reserve for Loans"	<u>49,050</u>
Total Change in net assets	( 8,048)
Net Assets-Beginning of Year	<u>10,949,307</u>
Net Assets-End of Year	\$ <u>10,941,259</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013

Resources Provided (Used) By:	
Cash Flow from Operating Activities:	
Revenue over expenses	\$( 181,276)
Items not requiring outlays of cash:	
Depreciation	350,191
Change in Operating Assets & Liabilities:	
Accounts receivable	( 30,954)
Prepaid expenses	28,575
Accounts payable	92,909
Accrual payroll and benefits	13,022
Accrual annual leave	( 10,430)
	<u>262,037</u>
Cash Flow From Investing Activities:	
Self insurance - health insurance reserve	<u>11,971</u>
Cash Flow From Financing Activities:	
Borrowing - short term notes	474,800
Payments - long term notes	( 15,100)
Payments - short term notes	( 566,900)
	<u>( 107,200)</u>
Net Increase in Cash	166,808
Cash, Beginning of Year	<u>5,119,990</u>
Cash, End of Year	\$ <u><u>5,286,798</u></u>
Interest Expense - Cash Basis	\$ <u><u>9,178</u></u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 1 Nature of Activities and Significant Accounting Policies

A. Nature of Activities

Region XII Council of Governments, Inc. (COG) entered into a 28E agreement to service the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac.

The purposes for which the COG was organized are to provide joint services and facilities with other agencies to promote and assist the economic development of business concerns through growth and development and aid in development opportunities to the region, thereby increasing employment, business volume, and business payrolls. To accomplish these purposes, the COG has all the powers enumerated in the Iowa Non-Profit Corporation Act, Chapter 504 of the Code of Iowa and is certified in good standing with the Iowa Secretary of State. These powers are limited to the definitions and purposes encompassed by Section 501(c)(3), of the Internal Revenue Code. In addition, the COG has the power and duty to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplication, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area.

Region XII Council of Governments, Inc. is the designated administrative agency, fiscal agent, and coordinating service provider for the Workforce Investment Act (WIA) in Iowa Workforce Development (IWD) Region 8. Region 8 includes the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. The COG is the fiscal agent for IWD in Region 8. The COG provides Promise Jobs case management for the counties of IWD Region 8. The cities of Perry, Redfield, Minburn, and Linden, are associate members of the COG. Region XII COG, Inc.'s Executive Board has the responsibility for all records which are included in these financial statements.

Region XII Council of Governments, Inc. owns and operates the Western Iowa Transit System. This rural transit system provides transit services to senior citizens, persons with disabilities, preschool and school aged students, and the general public. Western Iowa Transit System operates in Audubon, Carroll, Crawford, Greene, Guthrie, and Sac counties and is recognized by the Department of Transportation as the regional transit organization. The mission of Western Iowa Transit System is to provide safe, dependable, and efficient public transit services for all citizens within its service area in a manner which will help them maintain and improve their quality of life.

Region XII Council of Governments, Inc. serves as the Regional Planning Affiliation (RPA) for the counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. As the RPA, the COG prepares all planning documents pursuant to transportation planning in the region, including the programming of regional federal funds for transportation. The COG is advised by a Transportation Advisory



REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2013

Note 1. Nature of Activities and Significant Accounting Policies (continued)

A. Nature of Activities (continued)

Committee on all planning documents. Final decisions on these documents are made by the Policy Council of Region XII Council of Governments, Inc.

Region XII Council of Governments, Inc. assists the communities and counties in identifying housing needs. Once needs are identified, the organization will work with the necessary partners to achieve those goals. Examples of programs include various housing rehabilitation programs, down payment assistance, rental projects, new construction, development of lots for sale, and lead base paint & inspection services.

The organization is dependent on continued funding by Federal, State and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

B. Significant Accounting Policies

Program Fund Accounting - To ensure observance of limitations and restrictions placed on the use of resources available to Region XII Council of Governments, Inc., the accounts of the organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into program funds established according to their nature and purposes. Separate accounts are maintained for each program fund. However, in the accompanying financial statements, programs that have similar characteristics have been combined into program groups. Accordingly, all financial transactions have been recorded and reported by program group.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Grant or contract revenue is recognized when earned. The grants and contracts are written on an expense reimbursement basis and accordingly, grant or contract revenue is earned when allowable program expenses are incurred. Expenses are recorded when the liability is incurred. Disbursements for the purchase of property and equipment which provide future benefits are recorded as expenses in the program at the time of purchase. Any property and equipment capitalized is presented in the Statement of Net Assets.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2013

Note 1 Nature of Activities and Significant Accounting Policies  
(continued)

B. Significant Accounting Policies (continued)

Basis of Presentation - Net assets and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the COG and changes therein are classified and reported as follows:

Unassigned net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unassigned net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unassigned net assets.

Assets, Liabilities and Net Assets - The following accounting policies are followed in preparing the combined statement of financial position.

Cash and Investments - Cash includes amounts in demand deposits, money market funds, and certificates of deposit.

Program Funds and Accounts Receivable - Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Program funds and accounts receivable include amounts due to the COG but not received at year end.

Allowance for Doubtful Accounts - The direct write-off method is used to account for uncollectible housing and business loans. There is no provision for bad debts since all receivables and loans are considered to be collectible.

Receivables and Payables from Affiliated Organizations - During the course of operations, numerous transactions occur between individual funds and affiliated organizations for goods provided or services rendered. To the extent that certain transactions between funds and affiliated organizations have been paid or received as of June 30, 2013, balances of inter-fund amounts have been recorded.

Property, Vehicles, and Equipment - Property, vehicles, and equipment are valued at historical cost. Property, vehicles, and equipment are recorded as expenses in the fund purchasing the asset. The purchases are then capitalized accumulating the net investment in property, vehicles, and equipment. Depreciation has

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2013

Note 1. Nature of Activities and Significant Accounting Policies (continued)

B. Significant Accounting Policies (continued)

Property, Vehicles, and Equipment (continued)

been provided using the straight-line method over the estimated useful lives of the respective assets, generally 50 years for real property and 5 to 10 years for vehicles and equipment. The depreciated cost of the property, vehicles, and equipment does not purport to be either a realizable value or a replacement value. Expenses for maintenance, repairs, and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized. The cost of assets disposed is deleted.

Annual Leave - Employees of Region XII Council of Governments, Inc. accumulate a limited amount of earned but unused annual leave payable to employees. Amounts representing the cost of annual leave expected to be liquidated currently are recorded as liabilities. This liability has been computed based on current rates of pay.

Cost Allocation - The organizations have adopted a cost allocation plan to allocate joint costs to the various programs. Any cost which cannot be assigned directly to a program is allocated based upon the ratio of direct labor hours worked for the respective program, square feet of space used, gross wages for direct program costs, or other reasonable methods of allocation. The cost allocation plan is approved by the COG's federal cognizant agency.

Budgetary Accounting - The organizations are not required by statute to use budgetary accounting. Therefore, no budgetary information is included in these financial statements.

Income Taxes - Region XII Council of Governments, Inc. is exempt from Federal income taxes under provisions of Internal Revenue Code Section 501(c)(3).

The organization does file Form 990, Return of Organization Exempt From Income Tax in the U.S. federal jurisdiction. The organization is no longer subject to the U.S. federal income tax examinations by tax authorities for tax years before 2010.

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from amounts estimated. These estimates involve useful lives for depreciation of assets, allowance for doubtful accounts, loss contingencies, and other estimating techniques as may be required to record effects of future events.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2013

Note 2 Support From Governmental Units

Region XII Council of Governments, Inc. receives substantially all of its support from Federal, State, and local governments. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the COG's programs and activities.

Note 3 Leases

Region XII Council of Governments, Inc. sub-leases office facilities from the Iowa Workforce Development under a lease agreement which began October 1, 2011, and expires December 31, 2016.

Region XII Council of Governments, Inc. is obligated under other lease agreements accounted for as operating leases for equipment. In the event insufficient program funding occurs, these leases may be prematurely terminated with appropriate notice.

Note 4 Pension and Retirement Benefits

The Region XII Council of Governments, Inc. contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306.

Plan members are required to contribute 5.78% of their annual covered salary and the Region XII Council of Governments, Inc. is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. Region XII Council of Government's contributions to IPERS for the year ended June 30, 2013 was \$234,906, equal to the employer required contributions for the year. The total contribution to IPERS for the year ended June 30, 2013 was \$355,439.

Note 5 Contingent Liability - Medical Leave

Region XII Council of Governments, Inc.'s full time and part time employees accumulate medical leave hours for subsequent use. No compensation is made for accrued medical leave at time of separation and these accumulations are not recognized as expenses until used. The organization's approximate maximum liability for unrecognized medical leave benefits as of June 30, 2013 was \$222,000. The maximum allowable medical leave may accumulate to 90 days. An employee that has been employed at least 10 years may elect to convert 10 days of medical leave into annual leave. Two days of medical leave earned is then equal to one day of annual leave.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2013

Note 6 Organization Risk Management

Region XII Council of Governments, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

These risks are covered by the purchase of commercial insurance. The organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 Total Deposit Accounts Exceeding Insured Depository Limits

Region XII Council of Governments, Inc. maintains its checking, savings, and certificate of deposit accounts in various financial institutions. These financial institutions classify these deposits as public funds and are subject to the guidelines referred to in Chapter 12C of the Code of Iowa.

As of the fiscal year end, the organization held public funds totaling:

	<u>June 30, 2013</u>
Financial institution balance	\$5,485,333

NOTE 8 Subsequent Events

Through the date the financial statements were available to be issued, management evaluated subsequent events.

Note 9 Uncertain Tax Positions

Region XII Council of Governments, Inc.'s management is not aware of possible tax positions taken by the organization which would be viewed as contrary to tax positions taken by the Internal Revenue Service.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2013

Note 10 Property, Vehicles, and Equipment

A summary of property, vehicles, equipment, and the components of accumulated depreciation, are as follows:

FISCAL YEAR END June 30, 2013

<u>Property &amp; Equip.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year \$	3,291,104	\$ 2,432,049	\$ 400,907	\$ 6,124,060
Additions	0	116,342	6,341	122,683
Disposals	<u>0</u>	<u>( 240,333)</u>	<u>( 20,227)</u>	<u>( 260,560)</u>
End of year	\$ <u>3,291,104</u>	\$ <u>2,308,058</u>	\$ <u>387,021</u>	\$ <u>5,986,183</u>
<u>Accumulated Depr.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year \$	415,296	\$ 1,571,038	\$ 185,351	\$ 2,171,685
Current deprec.	49,796	243,618	56,776	350,190
Disposal of assets	<u>0</u>	<u>( 240,333)</u>	<u>( 20,227)</u>	<u>( 260,560)</u>
End of year	\$ <u>465,092</u>	\$ <u>1,574,323</u>	\$ <u>221,900</u>	\$ <u>2,261,315</u>

Note 11 Housing Loans Receivable

Region XII Council of Governments, Inc. accounts for grant proceeds as revenue. Principal and interest payments received are accounted for as other program revenues when received. Loans and grants paid to families are treated as expenses at the time the loan is made to accommodate the required reporting format on quarterly reports.

Region XII Council of Governments, Inc. administers Community Development Block Grants Revolving Loans (CDBG Loans) for various cities within Region XII. The loans are for down payment assistance or for a portion of the cost of housing rehabilitation.

Region XII Council of Governments, Inc. administered the Department of Agriculture-Housing Preservation Grant (HPG Loans). The grant proceeds are used to maintain a low-interest revolving loan fund for low-income residents. Loans of up to \$5,000 per family, at varying interest rates, are used to make health and safety improvements to homes.

Region XII Council of Governments, Inc. administers the Iowa Department of Economic Development Local Housing Assistance Program (LHAP Loans). LHAP funds are awarded for the purpose of providing a regional revolving loan fund to provide low-interest construction financing for new single-family housing.

Region XII Council of Governments, Inc. administers the Iowa Finance Authority "Helping Iowa's Rural Economy" grant (HIRE Loans). The funds are for home ownership initiative down payment loans to provide financial assistance for the creation of affordable housing throughout the State of Iowa.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)  
June 30, 2013

Note 11 Housing Loans Receivable (continued)

Region XII Council of Governments, Inc. administers the Household Water Well System grant. The fund shall be used solely for the purpose of financing the construction, refurbishing and servicing of individually owned household water well systems in rural areas for individuals with low or moderate income. A Revolving Loan Fund Account has been established and designated to account for the grant funds.

The balance of all loans is reflected as other assets on the combined statement of financial position. A summary of activity is as follows:

<u>FISCAL YEAR June 30, 2013</u>					
	<u>Beginning Balance</u>	<u>Payments Received</u>	<u>Write- Offs</u>	<u>Accrued Interest &amp; New Loans</u>	<u>Ending Balance</u>
CDBG Loans	\$ 828,706	\$ 70,216	\$ 44,775	\$ 158,648	\$ 872,363
HPG Loans	527,007	95,583	10,004	109,546	530,966
LHAP Loans	48,746	8,554	0	( 36)	40,156
HIRE Loans	280,628	71,998	15,647	69,296	262,279
HWWS Loans	<u>82,339</u>	<u>4,804</u>	<u>0</u>	<u>33,177</u>	<u>110,712</u>
	\$ <u>1,767,426</u>	\$ <u>251,155</u>	\$ <u>70,426</u>	\$ <u>370,631</u>	\$ <u>1,816,476</u>

Note 12 Long Term Notes Payable

The long term notes payable and classification are as follows:

Region XII Council of Governments,  
Inc., has entered into an Amoco Loan  
Agreement with the Iowa Department  
of Transportation.

	\$ 15,100
Current Portion of Long Term Debt	(15,100)
Long Term Portion	\$ <u>30,200</u>

Maturities of notes payable over the next five years are as follows:

June 30, 2014	\$ 15,100
June 30, 2015	<u>15,100</u>
Total	\$ <u>30,200</u>

## SUPPLEMENTAL INFORMATION



REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2013

Salaries & wages	\$ 997,305
Employee benefits	325,870
Advertising & marketing	10,064
Accounting & legal	20,534
Insurance	15,499
Contracted services	70,650
Fees, dues & subscriptions	10,894
Postage	7,842
Rent	100,313
Telephone	36,349
Travel	74,670
Office expense	41,263
Equipment expenses	18,421
Facility expenses	40,874
Board expense	7,635
Drivers' wages & benefits	829,400
Vehicle fuel & other costs	318,237
Vehicle insurance	92,760
Purchased services	139,889
Participant loans & grants	1,908,916
Participant support	127,089
Acquisition/Demolition	155,050
Capital expenditures	120,217
Interest	9,178
Matching funds expended	91,575
In-kind Match expenditures	37,000
Depreciation	<u>350,191</u>
Total Expenses	\$ <u><u>5,957,685</u></u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULES OF REVENUES AND EXPENSES  
SCHEDULES OF STATE, GENERAL, AND LOCAL ADMINISTERED PROGRAMS ACTIVITY  
Year Ended June 30, 2013

	<u>Local Funds</u>	<u>Revolving Loan Funds</u>	<u>Community Administered &amp; Support Programs</u>
Revenues:			
Governmental Funding Source:			
State funds	\$ 0	\$ 0	\$ 50,428
Program funds	0	0	0
Loan repayments	0	320,109	0
Interest on loans	0	54,578	0
Interest on investments	12,233	32,808	0
Other revenue	211,043	13,804	92,356
Matching funds	<u>0</u>	<u>15,561</u>	<u>4,331</u>
Total revenues	<u>223,276</u>	<u>436,860</u>	<u>147,115</u>
Expenses:			
Salary & wages	54	18,813	59,316
Employee benefits	1,199	6,114	16,657
Advertising & marketing	0	38	289
Accounting & legal	566	3,670	346
Insurance	0	251	489
Contracted services	0	664	181
Fees, dues & subscriptions	0	92	137
Postage	437	342	308
Rent	0	1,558	2,055
Telephone	0	174	228
Travel	3,736	1,278	2,362
Office expense	1,526	2,484	1,169
Equipment expenses	26	779	752
Facility expenses	291	1,091	1,382
Board expense	0	86	180
Vehicle expense	12,610	0	0
Participant loans & grants	0	449,838	67,023
Matching funds & transfers	<u>46,617</u>	<u>14,203</u>	<u>18,535</u>
Total expenses	<u>67,062</u>	<u>501,475</u>	<u>171,409</u>
Revenue over (under) expenses	156,214	( 64,615)	( 24,294)
Beginning of year	<u>725,713</u>	<u>3,559,677</u>	<u>26,734</u>
End of Year-Net Assets	\$ <u>881,927</u>	\$ <u>3,495,062</u>	\$ <u>2,440</u>

See accompanying Independent Auditor's Report.

Schedule 2

<u>Iowa Waste Exchange Programs</u>	<u>Iowa Workforce Development Programs</u>	<u>Low Income Housing Tax Credit</u>	<u>Western Iowa Advantage Partners</u>
\$ 400,000	\$ 0	\$ 13,475	\$ 35,409
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	1,668
0	30,782	0	310
816	196	0	52,211
<u>400,816</u>	<u>30,978</u>	<u>13,475</u>	<u>89,598</u>
96,204	19,014	2,691	1,932
34,190	6,462	1,020	455
16	1	2	4,706
1,247	24	20	7
1,429	3	41	26
171	0	1	60,541
979	100	20	32
401	15	101	33
4,672	162	269	179
473	17	34	41
8,216	4,836	499	404
2,839	29	116	80
2,214	48	593	12
2,612	13	87	95
496	254	18	11
0	0	0	0
244,657	0	0	0
0	0	5,054	32
<u>400,816</u>	<u>30,978</u>	<u>10,566</u>	<u>68,586</u>
0	0	2,909	21,012
<u>0</u>	<u>0</u>	<u>( 2,909)</u>	<u>148,754</u>
\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>169,766</u></u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULES OF REVENUES AND EXPENSES  
SCHEDULES OF FEDERAL PROGRAMS ACTIVITY  
Year Ended June 30, 2013

	Economic Development Planning <u>Grant</u>	Hazard Mitigation <u>Grants</u>	Community Development Block <u>Grants</u>
Revenues:			
Governmental Funding Sources:			
Department of Agriculture	\$ 0	\$ 0	\$1,027,834
Department of Commerce	61,000	0	0
Department of Housing & Urban Development	0	0	0
Department of Labor	0	0	0
Department of Health & Human Services	0	0	0
Department of Transportation	0	0	0
Department of Homeland Security	0	58,435	0
Matching Funds	23,991	0	92,003
In-Kind Match	37,000	0	0
Interest income-bank	9	0	0
Total Revenues	<u>122,000</u>	<u>58,435</u>	<u>1,119,837</u>
Expenses:			
Salaries & wages	52,996	46,907	162,277
Employee benefits	15,682	15,663	52,535
Advertising & marketing	5	9	2,198
Accounting & legal	350	200	1,497
Insurance	779	683	2,337
Contracted services	87	62	1,753
Fees, dues & subscriptions	345	296	1,172
Postage	217	197	2,293
Rent	4,920	4,310	14,594
Telephone	848	391	1,866
Travel	2,789	2,153	11,877
Office expense	2,283	1,737	5,509
Equipment expenses	623	710	3,743
Facility expenses	2,789	2,601	8,834
Board expense	287	339	691
Participant loans & grants	0	0	677,494
Participant support	0	0	0
Acquisition/Demolition	0	0	155,050
Capital expenditures	0	0	0
Interest	0	0	5,161
In-Kind expenses	<u>37,000</u>	<u>0</u>	<u>0</u>
Total expenses	<u>122,000</u>	<u>76,258</u>	<u>1,110,881</u>
Program revenues over (under) expense	0	(17,823)	8,956
Beginning of Year	<u>0</u>	<u>( 463)</u>	<u>( 8,875)</u>
End of Year-Net Assets	\$ <u>0</u>	\$ <u>(18,286)</u>	\$ <u>81</u>

See accompanying Independent Auditor's Report.

HOME Investment Partnership Program	<u>WORKFORCE INVESTMENT ACT PROGRAMS</u>		
	Title I & SWA	Promise Jobs	Electrolux Continued Emergency Grant
\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0
510,877	0	0	0
0	366,255	0	130,650
0	0	17,570	0
0	0	0	0
0	0	0	0
16,325	2,371	798	0
0	0	0	0
0	0	0	0
<u>527,202</u>	<u>368,626</u>	<u>18,368</u>	<u>130,650</u>
69,357	138,295	8,058	89,014
22,211	47,459	2,388	34,709
116	208	2	0
1,734	4,377	353	93
1,014	2,298	232	1,835
1,220	294	5,114	4
494	2,398	153	0
1,241	854	21	179
6,364	16,025	1,373	846
824	3,117	145	161
5,481	9,985	145	2,038
2,415	10,265	80	1,543
3,200	1,775	70	185
3,448	1,347	194	43
333	2,840	40	0
469,904	0	0	0
0	127,089	0	0
0	0	0	0
0	0	0	0
4,017	0	0	0
0	0	0	0
<u>593,373</u>	<u>368,626</u>	<u>18,368</u>	<u>130,650</u>
( 66,171)	0	0	0
( 24,965)	0	0	0
\$ ( <u>91,136</u> )	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULES OF REVENUE AND EXPENSES  
SCHEDULES OF WESTERN IOWA TRANSIT PROGRAMS ACTIVITY  
Year Ended June 30, 2013

	<u>Rural Transit Operating</u>	<u>Rural Transit Capital</u>
Revenue:		
Governmental Funding Source:		
Federal-Dept. of Transportation	\$ 465,869	\$ 0
Iowa Dept. of Transportation	376,372	99,663
Elderbridge Agency	35,100	0
United way	4,500	0
Public support & contribution	913,773	0
Capital & other matching funds	0	20,554
Interest from investments	5,055	0
Fuel tax refund	525	0
Other local	11,174	0
Total Revenues	<u>1,812,368</u>	<u>120,217</u>
Expenses:		
Salaries & wages	135,088	0
Employee benefits	41,494	0
Advertising & marketing	2,462	0
Accounting & legal	5,390	0
Insurance	2,699	0
Contracted services	288	0
Fees, dues & subscriptions	4,216	0
Postage	759	0
Rent	34,292	0
Telephone	26,068	0
Travel	13,171	0
Office expense	5,058	0
Equipment expenses	2,584	0
Facility expenses	10,746	0
Board expense	1,310	0
Drivers' wages & benefits	829,400	0
Vehicle fuel & other costs	305,627	0
Vehicle insurance	92,760	0
Purchased services	139,889	0
Capital purchases	0	120,217
Matching funds	7,134	0
Total Expenses	<u>1,660,435</u>	<u>120,217</u>
Revenue over (under) expenses	151,933	0
Beginning of year-net assets	<u>538,771</u>	<u>0</u>
End of Year-Net assets	\$ <u><u>690,704</u></u>	\$ <u><u>0</u></u>

See accompanying Independent Auditor's Report.

Schedule 4

<u>Regional Transportation Planning</u> <u>Agreement Number 13RPA-12</u>			<u>Safe</u>
<u>FHWA SPR</u>	<u>FTA</u>	<u>FHWA (STP)</u>	<u>Route to</u> <u>School</u>
\$ 24,262	\$ 24,262	\$ 74,662	\$ 1,289
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
6,210	7,088	18,801	15
0	0	0	0
0	0	0	0
0	0	0	0
<u>30,472</u>	<u>31,350</u>	<u>93,463</u>	<u>1,304</u>
19,631	19,578	57,747	333
5,551	5,676	16,308	96
3	2	7	0
113	133	414	0
262	259	857	5
3	2	265	0
7	46	406	1
95	88	260	1
1,568	1,602	5,491	33
246	265	1,448	3
660	1,575	3,452	13
992	739	2,393	7
172	142	789	4
1,076	1,162	3,052	11
93	81	574	2
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>30,472</u>	<u>31,350</u>	<u>93,463</u>	<u>509</u>
0	0	0	795
<u>0</u>	<u>0</u>	<u>0</u>	<u>( 795)</u>
\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

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SCHEDULES OF REVENUE AND EXPENSES FOR COMPLETED CONTRACTS

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULES OF REVENUES AND EXPENSES  
COMPLETED PROGRAMS  
Year Ended June 30, 2013

Grant or Program Period	Iowa Financing Authority LIHTC <u>4/1/10-3/31/13</u>	SHTF #12-27 Housing Trust Fund Utility <u>1/1/12-6/30/13</u>	13-W-08-FR-0 Workforce Investment Act Title I <u>7/1/11-6/30/13</u>
Revenues:			
Governmental Funding Sources:			
Department of Agriculture	\$ 0	\$ 0	\$ 0
Department of Commerce	0	0	0
Department of Labor	0	0	218,373
Iowa Department of Homeland Security	0	0	0
Iowa Department of Transportation	0	0	0
Iowa Finance Authority	0	219,671	0
Interest Income-Bank	0	0	0
In-Kind Funds	0	0	0
Matching Funds	<u>22,925</u>	<u>22,254</u>	<u>0</u>
Total Revenues	<u>22,925</u>	<u>241,925</u>	<u>218,373</u>
Expenses:			
Salaries & wages	9,239	18,753	93,512
Employee benefits	4,475	6,459	35,258
Advertising & marketing	14	21	8
Accounting & legal	73	42	288
Insurance	116	230	1,852
Contracted services	12	606	7,851
Fees, dues & subscriptions	29	120	2,043
Postage	230	559	519
Rent	751	1,626	8,962
Telephone	104	247	2,074
Travel	1,063	2,688	2,963
Office expense	441	924	5,463
Equipment expenses	847	1,665	809
Facility expenses	435	963	907
Board expense	42	168	798
Participant loans & grants	0	206,854	0
Close out accounts/projects	5,054	0	0
In-Kind support	0	0	0
Participant support	<u>0</u>	<u>0</u>	<u>55,066</u>
Total expenses	<u>22,925</u>	<u>241,925</u>	<u>218,373</u>
Net	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

See accompanying Independent Auditor's Report.

Schedule 5

05-83-04975-02	SRTS-U-PA12
	(001)-84-00
EDA	Safe
Planning	Routes
Grant	To School
	Program
<u>7/1/10-6/30/13</u>	<u>10/21/09-6/26/13</u>

\$	0	\$	0
183,000	0		0
0	0		0
0	0		0
0	120,000		0
0	0		0
9	0		0
111,427	0		0
<u>71,564</u>	<u>15</u>		
<u>366,000</u>	<u>120,015</u>		
152,280	72,404		
54,862	27,572		
198	143		
1,299	360		
2,223	1,044		
247	177		
883	548		
722	314		
13,771	5,539		
2,100	529		
8,536	2,337		
5,901	2,642		
3,319	2,374		
7,407	3,694		
825	338		
0	0		
0	0		
111,427	0		
<u>0</u>	<u>0</u>		
<u>366,000</u>	<u>120,015</u>		
\$ <u><u>0</u></u>	\$ <u><u>0</u></u>		

## Schedule 6

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2013

Agency and Office:

Recipient State Agency:

Sub-recipient of State Funds:

Program Title:

	CFDA #	Program Or Grant Number	Total Expenditures
<b>Federal Direct:</b>			
<u>Department of Commerce-Economic Development Administration:</u>			
Economic Development Support for			
Planning Organizations	11.302	05-83-04975-02	\$ <u>122,000</u>

**Federal Indirect:**Department of Housing & Urban Development-Office of Community Planning & Development:Iowa Department of Economic Development:Subrecipient of Cities, Counties, and SWIPCO:

Community Development Block Grants

City of:

Odebolt	14.228	11-HSG-041	\$ 241,664
Minburn	14.228	10-WS-046	1,832
Laneboro	14.228	11-WS-032	7,343
Lidderdale	14.228	11-WS-035	5,739
Wall Lake	14.228	11-WS-061	8,531
Audubon-Neighborhood Stabilization	14.228	08-NSP-001	33,227
Boone-Neighborhood Stabilization	14.228	08-NSP-002	11,771
Guthrie Center-Housing	14.228	12-HSG-013	16,820
Guthrie Center-Neighborhood Stab.	14.228	08-NSP-008	29,590
Jefferson-Housing	14.228	11-HSG-027	209,523
Jefferson-Neighborhood Stabilization	14.228	08-NSP-010	109,674
Perry-Neighborhood Stabilization	14.228	08-NSP-014	61,725
Redfield-Housing	14.228	10-HSG-025	89,628
Perry	14.228	11-HSG-043	241,990
Stuart	14.228	12-HSG-008	15,948
Mannning	14.228	12-DTR-008	10,521

Comprehensive Planning Program

City of:

Carroll	14.228	08-DRPG-204	11,483
Manning	14.228	08-DRPG-236	2,834
Dow City	14.228	08-DRPG-217	1,035
			\$ <u>1,110,878</u>

Home Investment Partnership Program

City of:

Carroll	14.239	10-HM-11565	\$ 219,007
Greene County	14.239	08-HM-10965	37,138
Region XII Council of Governments	14.239	11-HM-306	337,228
			<u>593,373</u>

Total

\$ 1,704,251

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
Year Ended June 30, 2013

Agency and Office:

Recipient State Agency:

Sub-recipient of State Funds:

Program Title:

<u>Federal Indirect:</u>	<u>CFDA #</u>	<u>Program Or Grant Number</u>	<u>Total Expenditures</u>
<u>Department of Labor-Employment Training Administration:</u>			
<u>Iowa Workforce Development</u>			
WIA Adult Program	17.258	13-W-08-FR-0	\$ 119,632
WIA SWA Incentive Adult	17.258	13-W-08-FR-0	5,825
WIA Youth Programs	17.259	13-W-08-FR-0	143,139
Electrolux-National Emergency Grant	17.277	13-W-PF-RR-0-2	130,650
WIA Dislocated Worker	17.278	13-W-08-FR-0	<u>97,660</u>
Total			\$ <u>496,906</u>

Department of Transportation-Federal Highway Administration:

Iowa Department of Transportation:

Planning Joint Participation Agreement To Implement Regional Intermogal Planning	20.205	FHWA SPR 13RPA-12	\$ 30,472
Planning Joint Participation Agreement To Implement Regional Intermogal Planning	20.205	FHWA STP 13RPA-12	93,463
Highway Planning and Construction Safe Routes to School Program Project	20.205	08-SRTS-006	<u>508</u>
			<u>124,443</u>
Capital Investment Assistance	20.500	04-0117-120-12	<u>116,342</u>
Planning Joint Participation Agreement To Implement Regional Intermogal Planning	20.509	FTA-5311 13RPA-12	31,350
Rural Training Assistance Program	20.509	TF-13	3,447
Operating Assistance	20.509	18-0030-120-13	444,605
Non-Urban Operating Assistance Project	20.509	85-X030-120-09	<u>22,272</u>
			<u>501,674</u>
Total			\$ <u>742,459</u>

Department of Health & Human Services-Administration for Children and Families:

Iowa Workforce Development

Promise Jobs - Basic	93.558	9-W-08-FN-0	\$ 16,820
Promise Jobs - Basic	93.558	9-W-08-FN-0	<u>750</u>
Total			\$ <u>17,570</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
 Year Ended June 30, 2013

Agency and Office:

Recipient State Agency:

Sub-recipient of State Funds:

Program Title:

<u>Federal Indirect:</u>	<u>CFDA #</u>	<u>Program Or Grant Number</u>	<u>Total Expenditures</u>
<u>Department of Homeland Security:</u>			
<u>Iowa Homeland Security &amp; Emergency Management Division:</u>			
Hazard Mitigation Grant			
Audubon County	97.039	DR-1763-0179-01	\$ 9,033
Carroll County	97.039	DR-1763-0180-01	14,436
Crawford County	97.039	DR-1763-0181-01	17,578
Greene County	97.039	DR-1763-0182-01	9,896
Guthrie County	97.039	DR-1763-0183-01	9,487
Sac County	97.039	DR-1763-0184-01	<u>15,827</u>
Total			<u>76,257</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>3,159,443</u>

Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of Region XII Council of Governments, Inc., and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

# John D. Morrow

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November 20, 2013

## RTS CERTIFICATION BY INDEPENDENT AUDITOR

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

I have audited the contracting opportunities and Disadvantaged Business Enterprise and Women Business Enterprise participation summary of Region XII Council of Governments, Inc. (Transit System). My audit of the report details included tests of accounting records, purchase orders, and contracts issued to Disadvantaged Business Enterprise and Women Business Enterprise firms as we considered necessary to verify that the information reported corresponds with the transit system's financial statements and other official documentation. It was not within the scope of my audit to make any assurances about the eligibility of any firm to be certified as a Disadvantage Business Enterprise or Women Business Enterprise, since the Iowa Department of Transportation assumes this responsibility. Tests were conducted to assure that this information fairly reflects the transit system's efforts to comply with Section 105(f) and Subpart D of the Surface Transportation Assistance Act of 1982.

The tests of accounting records and inquiries with management indicated that effort is made to identify Disadvantaged Business Enterprises and Women Business Enterprise. Management has procedures which identify current vendors as eligible to be certified as a Disadvantaged Business Enterprise and Women Business Enterprise.

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November 20, 2013

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Region XII Council of Governments, Inc., as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Region XII Council of Governments, Inc.'s basic financial statements, and have issued my report thereon dated November 20, 2013.

#### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Region XII Council of Governments, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Region XII Council of Governments, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Region XII Council of Governments, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Region XII Development Corporation, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Region XII Council of Governments, Inc.'s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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November 20, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors  
Region XII Council of Governments, Inc.  
Carroll, Iowa

## Report on Compliance for Each Major Federal Program

I have audited Region XII Council of Governments, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Region XII Council of Governments, Inc.'s major federal programs for the year ended June 30, 2013. Region XII Council of Governments, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

## Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

## Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Region XII Council of Governments, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Region XII Council of Governments, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Region XII Council of Governments, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In my opinion, Region XII Council of Governments, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Internal Control Over Compliance**

Management of Region XII Council of Governments, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Region XII Council of Governments, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Region XII Council of Governments, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by  
OMB Circular A-133**

I have audited the financial statements of Region XII Council of Governments, Inc. as of and for the year ended June 30, 2013, and have issued my report thereon dated November 20, 2013, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

REGION XII COUNCIL OF GOVERNMENTS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified not considered to be material weaknesses?	No matters were reported
Non-compliance material to financial statements noted?	No matters were reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified not considered to be material weaknesses?	No matters were reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133. Section .510(a)?	No matters were reported
Identification of major programs:	
Department of Housing and Urban Development	14.228
Department of Housing and Urban Development	14.239
Department of Labor	17.258 - 17.278
Department of Transportation	20.500 - 20.509
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low risk.	

Part II: Findings relating to the financial statements which are required to be reported in accordance with Governmental Auditing Standards.

No matters were reported

Part III: Findings and questioned costs for Federal Awards which shall include audit findings as defined in OMB Circular A-133.

No matters were reported

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